

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
North Attleboro
Contributory Retirement System
For the Four Year Period
January 1, 1998 - December 31, 2001
PERAC 2001: 08-071-17**

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July 10, 2003

The Public Employee Retirement Administration Commission has completed an examination of the **North Attleboro** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **1998** to December 31, **2001**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Richard Ackerson and Patrick H LePage who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

North Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

- 1. System Administration:** Regular monthly retirement Board meetings were held en route or at an investment manager's office, about one time per year during the period reviewed. This practice may impair or impede interested parties from attending said meetings given that the remote location is outside of the geographic boundaries that the Board normally operates.

The annual performance review of the Executive Secretary was noted for the minutes but the result, i.e. amount or percentage of increase, was only noted for one of the years reviewed. In addition, the Board member vote was not recorded in the minutes. Given that the Executive Secretary and one of the Board members are related parties, it is imperative that this Board member abstain from voting on matters affecting the benefits and compensation of the Executive Secretary.

Attendance at scheduled meetings by Board members appear reasonable with the exception of the ex-officio member, who in four out of the five years reviewed, missed at least 33% of the meetings (three of these years absenteeism was 50% or higher).

Recommendation: The Board should hold its regular monthly meeting at its usual location and then may hold a special meeting pertaining to due diligence at the investment manager's office.

The minutes should clearly state the action the Board approved in relation to compensation and benefits and also state for the record how each Board member voted (e.g. abstained, for, or against).

It is the Board's responsibility to advise any Board member who may not be upholding their fiduciary duties to the Retirement System, and to take appropriate action with such members, when necessary. Since the Town recently granted the retirement Board members an annual stipend for service, they may want to consider adopting supplemental regulations making payment of the stipend subject to reasonable attendance (defined in regulation), at Board meetings.

Board Response: The Board noted that their meetings will be held prior to traveling to a manager's facility, which may be outside the geographic boundaries in which the Board normally operates.

Relating to the annual review of the Executive Secretary: information regarding any and all increases will be duly noted in the minutes. The Board member related to the Executive Secretary has always been excused (and physically left the meeting) during this review process. It wasn't formally indicated in the minutes, but will be noted along with the exact Board vote.

Relating to Board member absenteeism: this matter seems to be under control.

North Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

2. **Membership Exhibits:** The retirement section of the annual membership exhibit is not being completed properly. The breakdown of retired, beneficiary, and survivor does not match the yearly activity totals. It appears the Data National system does not properly generate the exhibit and it must be done manually.

Recommendation: The North Attleboro Retirement Board is converting to the TACS system effective 1/1/03 and this problem should be resolved. However, there have been problems with the TACS system not carrying the proper totals from year to year on this exhibit and the administrator must review the schedule to ensure accuracy.

Board Response: The North Attleboro Retirement Board is in the process of converting to TACS system and hopefully this situation will be corrected.

3. **Checking Accounts:** The checking accounts for operating expenses and retirement payroll were not properly maintained in the General Ledger. The payroll account only reflected pension payments with no deposits and carried a credit balance. It should be carrying a zero balance. The expense account included all deposits and reflected an inaccurate balance.

Recommendation: These cash account balances were corrected for the October 2002 month-end trial balance.

Board Response: This was corrected in October 2002 – account structure was established but was not carrying a zero balance.

4. **Contract and Fee Schedules:** A review of the investment contracts showed that most of the fee schedules in the files were several years old and appeared obsolete. Also, there were no contracts for investment manager JA Hannah and investment advisor Advest Custom Consulting.

Recommendation: The Board should obtain copies of all current fee schedules and contracts for Hannah and Advest. Current copies of all contracts and related documents should be kept on file.

Board Response: The contract in question still listed JA Hannah. This has since been corrected with an updated contract with Advest Custom Consulting.

5. **Operational:** The information retained on file by the Board for dual membership, prior service, withdrawal from the system, and expenses paid, should have additional documentation to support the actions taken by the Board.

North Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

Also appropriate measures should be taken to protect retirement records from fire, theft, flood, natural disaster, unauthorized removal or other security hazard.

Recommendation: In general, the operations appear to be properly executed but additional documentation should be maintained on file. For example, a follow up letter requesting a reply or a note to file, detailing an issue handled via a phone conversation. The above noted areas where more documentation would be required or useful were discussed in greater detail with the Executive Secretary.

As an added precaution, the Board should consider the purchase of fireproof file cabinets to store membership files and documents.

Board Response: Documentation relating to dual membership will be requested and maintained on file when needed. The Board has purchased a fireproof file cabinet for the Active Member files. The Board currently has one for the Retiree files and will be obtaining another for these files.

Final determination

PERAC auditors will follow-up in six (6) months to ensure appropriate action has been taken regarding all findings.

North Attleboro Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,				
ASSETS	2001	2000	1999	1998
Cash	\$1,549,946	\$2,322,271	\$2,080,897	\$2,185,373
Short Term Investments	0	0	0	
Fixed Income Securities (1998 at book value)	17,772,324	15,935,470	14,761,660	14,258,332
Equities	7,078,704	5,900,903	5,155,497	3,976,829
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	11,219,016	11,813,003	12,961,658	10,553,139
Pooled International Equity Funds	2,401,897	2,522,700	2,495,210	1,879,341
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0	0
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	0	0	0	0
Pooled Real Estate Funds	0	0	201,200	226,200
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	0	0	0	0
PRIT Core Fund	0	0	0	0
Interest Due and Accrued	208,878	199,328	190,418	188,915
Accounts Receivable	91,074	488,736	31,408	22,877
Accounts Payable	(89,784)	(111,045)	(381,858)	(55,546)
TOTAL	<u>\$40,232,054</u>	<u>\$39,071,366</u>	<u>\$37,496,091</u>	<u>\$33,235,459</u>
FUND BALANCES				
Annuity Savings Fund	\$10,642,168	\$9,820,878	\$9,224,847	\$8,431,249
Annuity Reserve Fund	2,386,084	2,317,537	2,182,811	1,941,457
Military Service Fund	0	0	0	0
Pension Fund	6,858,458	6,801,275	6,914,784	6,804,373
Expense Fund	0	0	0	0
Pension Reserve Fund	20,345,344	20,131,676	19,173,649	16,058,380
TOTAL	<u>\$40,232,054</u>	<u>\$39,071,366</u>	<u>\$37,496,091</u>	<u>\$33,235,459</u>

North Attleboro Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

	Annuity Savings Fund	Annuity Reserve Fund	Military Service Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (1998)	\$7,695,264	\$1,876,785	\$0	\$6,701,609	\$0	\$13,273,578	\$29,547,235
Receipts	1,228,855	\$55,782	0	1,712,616	232,340	2,744,797	5,974,391
Interfund Transfers	(256,434)	216,429				40,005	0
Disbursements	(236,437)	(\$207,538)	<u>0</u>	(1,609,852)	(232,340)	<u>0</u>	(2,286,167)
Ending Balance (1998)	8,431,249	1,941,457	0	6,804,373	0	16,058,380	33,235,459
Receipts	1,253,907	60,432	0	1,648,857	230,149	3,307,190	6,500,534
Interfund Transfers	(410,263)	437,212		164,972		(191,921)	0
Disbursements	(50,045)	(256,291)	<u>0</u>	(1,703,417)	(230,149)	<u>0</u>	(2,239,902)
Ending Balance (1999)	9,224,847	2,182,811	0	6,914,784	0	19,173,649	37,496,091
Receipts	1,387,074	67,522	0	1,604,707	276,140	1,099,136	4,434,579
Interfund Transfers	(328,277)	326,320		143,065		(141,108)	0
Disbursements	(462,766)	(259,115)	<u>0</u>	(1,861,282)	(276,140)	<u>0</u>	(2,859,304)
Ending Balance (2000)	9,820,878	2,317,537	0	6,801,275	0	20,131,677	39,071,367
Receipts	1,500,308	68,526	0	1,701,495	267,755	450,630	3,988,715
Interfund Transfers	(316,685)	287,447		266,200		(236,962)	0
Disbursements	(362,334)	(287,426)	<u>0</u>	(1,910,512)	(267,755)	<u>0</u>	(2,828,027)
Ending Balance (2001)	<u>\$10,642,168</u>	<u>\$2,386,084</u>	<u>\$0</u>	<u>\$6,858,458</u>	<u>\$0</u>	<u>\$20,345,344</u>	<u>\$40,232,054</u>

North Attleboro Retirement System

STATEMENT OF INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999	1998
Annuity Savings Fund:				
Members Deductions	\$1,216,156	\$1,105,003	\$1,041,532	\$941,958
Transfers from other Systems	82,728	69,180	10,120	85,863
Member Make Up Payments and Redeposits	19,720	25,536	18,629	19,401
Investment Income Credited to Member Accounts	<u>181,704</u>	<u>187,355</u>	<u>183,626</u>	<u>181,633</u>
Sub Total	<u>1,500,308</u>	<u>1,387,074</u>	<u>1,253,907</u>	<u>1,228,855</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>68,526</u>	<u>67,522</u>	<u>60,432</u>	<u>55,782</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	13,895	13,722	13,722	13,722
Received from Commonwealth for COLA and Survivor Benefits	150,601	147,986	231,135	316,450
Pension Fund Appropriation	<u>1,537,000</u>	<u>1,443,000</u>	<u>1,404,000</u>	<u>1,382,444</u>
Sub Total	<u>1,701,495</u>	<u>1,604,707</u>	<u>1,648,857</u>	<u>1,712,616</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	0	0	0
Investment Income Credited Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>267,755</u>	<u>276,140</u>	<u>230,149</u>	<u>232,340</u>
Sub Total	<u>267,755</u>	<u>276,140</u>	<u>230,149</u>	<u>232,340</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	18,960	13,987	16,466	9,892
Pension Reserve Appropriation	0	0	441	34,747
Interest Not Refunded	1,618	2,799	891	2,817
Excess Investment Income	<u>430,051</u>	<u>1,082,349</u>	<u>3,289,392</u>	<u>2,697,341</u>
Sub Total	<u>450,630</u>	<u>1,099,136</u>	<u>3,307,190</u>	<u>2,744,797</u>
TOTAL RECEIPTS	<u>\$3,988,715</u>	<u>\$4,434,579</u>	<u>\$6,500,534</u>	<u>\$5,974,391</u>

North Attleboro Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,				
	2001	2000	1999	1998
Annuity Savings Fund:				
Refunds to Members	\$187,302	\$179,077	\$24,368	\$155,549
Transfers to other Systems	<u>175,032</u>	<u>283,689</u>	<u>25,677</u>	<u>80,888</u>
Sub Total	<u>362,334</u>	<u>462,766</u>	<u>50,045</u>	<u>236,437</u>
Annuity Reserve Fund:				
Annuities Paid	262,787	254,124	230,517	207,538
Option B Refunds	<u>24,639</u>	<u>4,992</u>	<u>25,773</u>	<u>0</u>
Sub Total	<u>287,426</u>	<u>259,115</u>	<u>256,291</u>	<u>207,538</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	1,492,154	1,427,916	1,269,968	1,171,686
Survivorship Payments	55,069	62,170	64,737	70,036
Ordinary Disability Payments	0	6,146	11,184	11,108
Accidental Disability Payments	240,346	250,480	257,766	256,025
Accidental Death Payments	63,616	62,612	60,443	60,144
Section 101 Benefits	18,745	14,191	6,220	6,180
3 (8) (c) Reimbursements to Other Systems	40,582	37,766	33,100	34,673
State Reimbursable COLA's Paid	0	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>1,910,512</u>	<u>1,861,282</u>	<u>1,703,417</u>	<u>1,609,852</u>
Military Service Fund:				
Return to Municipality for Members Who				
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	0	0	0	0
Salaries	39,379	37,864	36,435	35,694
Legal Expenses	131	1,112	1,052	1,894
Medical Expenses	0	0	0	0
Travel Expenses	2,428	1,666	2,045	2,200
Administrative Expenses	12,976	23,741	8,669	25,075
Furniture and Equipment	0	6,000	1,968	0
Management Fees	159,529	153,254	129,496	118,191
Custodial Fees	30,312	29,503	27,483	25,436
Consultant Fees	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>23,850</u>
Sub Total	<u>267,755</u>	<u>276,140</u>	<u>230,149</u>	<u>232,340</u>
TOTAL DISBURSEMENTS	<u>\$2,828,027</u>	<u>\$2,859,304</u>	<u>\$2,239,902</u>	<u>\$2,286,167</u>

North Attleboro Retirement System

INVESTMENT INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999	1998
Investment Income Received From:				
Cash	\$52,665	\$99,624	\$75,849	\$85,620
Short Term Investments	0	0	4,660	0
Fixed Income	1,176,823	1,086,380	1,028,773	976,660
Equities	66,837	62,203	52,555	39,802
Pooled or Mutual Funds	0	15,685	70,806	38,283
PRIT Fund	0	0	0	0
Commission Recapture	0	0	75	0
TOTAL INVESTMENT INCOME	<u>1,296,325</u>	<u>1,263,891</u>	<u>1,232,718</u>	<u>1,140,365</u>
Plus:				
Increase in Amortization of Fixed Income Securities	0	0	83,883	9,273
Realized Gains	536,804	773,759	967,690	537,769
Unrealized Gains	1,964,208	2,469,605	3,637,035	3,353,149
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>208,878</u>	<u>199,328</u>	<u>190,418</u>	<u>188,915</u>
Sub Total	<u>2,709,889</u>	<u>3,442,692</u>	<u>4,879,026</u>	<u>4,089,106</u>
Less:				
Decrease in Amortization of Fixed Income Securities	0	0	(1,201)	(52,973)
Paid Accrued Interest on Fixed Income Securities	(81,442)	(90,894)	(98,009)	(114,555)
Realized Loss	(199,262)	(246,302)	(522,978)	(267,666)
Unrealized Loss	(2,578,145)	(2,565,602)	(1,537,043)	(1,447,863)
Custodial Fees Paid	0	0	0	0
Consultant Fees Paid	0	0	0	0
Management Fees Paid	0	0	0	0
Board Member Stipend	0	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(199,328)</u>	<u>(190,418)</u>	<u>(188,915)</u>	<u>(179,317)</u>
Sub Total	<u>(3,058,177)</u>	<u>(3,093,216)</u>	<u>(2,348,145)</u>	<u>(2,062,374)</u>
NET INVESTMENT INCOME	<u>948,037</u>	<u>1,613,367</u>	<u>3,763,599</u>	<u>3,167,096</u>
Income Required:				
Annuity Savings Fund	181,704	187,355	183,626	181,633
Annuity Reserve Fund	68,526	67,522	60,432	55,782
Military Service Fund	0	0	0	0
Expense Fund	<u>267,755</u>	<u>276,140</u>	<u>230,149</u>	<u>232,340</u>
TOTAL INCOME REQUIRED	<u>517,986</u>	<u>531,017</u>	<u>474,206</u>	<u>469,755</u>
Net Investment Income	<u>948,037</u>	<u>1,613,367</u>	<u>3,763,599</u>	<u>3,167,096</u>
Less: Total Income Required	<u>517,986</u>	<u>531,017</u>	<u>474,206</u>	<u>469,755</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$430,051</u>	<u>\$1,082,349</u>	<u>\$3,289,392</u>	<u>\$2,697,341</u>

North Attleboro Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$1,549,946	3.87%	100
Short Term		\$0	0.00%	100
Fixed Income		\$17,772,324	44.41%	40 - 80
Equities		\$7,078,704	17.69%	45**
Pooled Short Term Funds		\$0	0.00%	
Pooled Domestic Equity Funds		\$11,219,016	28.03%	45**
Pooled International Equity Funds		\$2,401,897	6.00%	5
Pooled Global Equity Funds		\$0	0.00%	
Pooled Domestic Fixed Income Funds		\$0	0.00%	
Pooled International Fixed Income Funds		\$0	0.00%	
Pooled Global Fixed Income Funds		\$0	0.00%	
Pooled Alternative Investment Funds		\$0	0.00%	
Pooled Real Estate Funds		\$0	0.00%	5
Pooled Domestic Balanced Funds		\$0	0.00%	
Pooled International Balanced Funds		\$0	0.00%	
PRIT Cash Fund		\$0	0.00%	
PRIT Core Fund		\$0	0.00%	100
GRAND TOTALS	\$0	\$40,021,887	100.00%	

** Domestic Equities not to exceed 45%

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2001**, the rate of return for the investments of the **North Attleboro** Retirement System was 2.54%. For the five-year period ending December 31, **2001**, the rate of return for the investments of the **North Attleboro** Retirement System averaged 9.06%. For the seventeen-year period ending December 31, **2001**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **North Attleboro** Retirement System was 10.31%.

North Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

The **North Attleboro** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

October 27, 1988

- (1) Real Estate investments shall not exceed 5% of the total book value of the portfolio at the time of purchase and at this time shall be limited to \$100,000*, and shall consist of real estate trusts and partnerships, provided that:
- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and
 - (b) such trustees or general partners retain authority in the decision making process, and
 - (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

*Increased to \$200,000 June 22, 1989

*Increased to \$400,000 July 13, 1989

May 18, 1989

- 20.07 (6) Sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.

December 26, 1990

- 20.03(1) Equities shall not exceed 45% of the total market value of the portfolio at the time of purchase.
- 20.07(6) Purchases and sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve-month period.

December 26, 1991

- 20.03(1) (a) Domestic equities shall not exceed 45% of the total book value of the portfolio at the time of purchase.
- (b) International equities shall not exceed 5% of the total book value of the portfolio at the time of purchase.
- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

North Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

February 21, 1992

- 4.03(1) Copies to be sent to PERA
Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy the following for the month:
- a) cash book entries;
 - b) trial balance; and
 - c) journal entries

August 5, 1993

- 16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Expenses for investment management and consulting services may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:
- (a) 1% of the value of the fund for the first \$5 million; and
 - (b) 0.5% of the value of the fund in excess of \$5 million.

May 30, 1996

- 20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds which shall be limited to 5% of the total portfolio valued at market.
- 20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 5% of the total portfolio valued at market may be invested in bonds with a minimum quality rating of BBB or equivalent as rated by one or more recognized bond rating services.
- 20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 5% of the total portfolio valued at market may be invested in bonds with a minimum quality rating of BBB or equivalent.

North Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

November 13, 1997

- 20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds which shall be limited to 15% of the total portfolio valued at market.
- 20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 15% of the total portfolio valued at market may be invested in bonds with a minimum quality rating of BBB or equivalent as rated by one or more recognized bond rating services.
- 20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 15% of the total portfolio valued at market may be invested in bonds with a minimum quality rating of BBB or equivalent.

North Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **North Attleboro** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

North Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

North Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **North Attleboro** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

THE NORTH ATTLEBORO RETIREMENT SYSTEM HAS NO SUPPLEMENTARY MEMBERSHIP REGULATIONS ON FILE.

North Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Paula J. Veilleux

Appointed Member: Edward G. Lambert, Jr. Term Expires: 06/30/2004

Elected Member: Jack J. Bush Term Expires: 08/31/2005

Elected Member: Dorothy H. Baker Term Expires: 08/31/2005

Appointed Member: Patricia A. Shapiro Term Expires: 01/31/2006

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$1,000,000
		Employee Dishonesty
Ex officio Member:)	\$30,000,000
		Fiduciary
Elected Member:)	Travelers
		(\$10M Primary)
Appointed Member:)	Federal Insurance Co.
		(\$10M Excess of Primary)
Staff Employee:)	Executive Risk Indemnity, Inc.
		(\$10M Excess of \$20M)

North Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **PriceWaterhouseCoopers** as of **January 1, 2002**.

The actuarial liability for active members was	\$30,204,828
The actuarial liability for retired members was	<u>19,414,843</u>
The total actuarial liability was	49,619,671
System assets as of that date were	<u>40,232,054</u>
The unfunded actuarial liability was	<u>\$9,387,617</u>
 The ratio of system's assets to total actuarial liability was	 81.1%
As of that date the total covered employee payroll was	\$15,515,521

The normal cost for employees on that date was 8.10% of payroll

The normal cost for the employer was 4.80% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum

Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2001	\$ 40,232,054	\$ 49,619,671	\$ 9,387,617	81.1%	\$ 15,515,521	60.50%
1/1/2000	\$ 37,496,091	\$ 41,776,394	\$ 4,280,303	89.8%	\$ 13,315,066	32.15%
1/1/1998	\$ 29,744,805	\$ 35,015,145	\$ 5,270,340	84.9%	\$ 11,451,863	46.02%
1/1/1997	\$ 24,406,100	\$ 29,456,842	\$ 5,050,742	82.9%	\$ 10,355,645	48.77%
1/1/1994	\$ 16,034,834	\$ 23,611,590	\$ 7,576,756	67.9%	\$ 8,203,429	92.36%

North Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Superannuation	3	6	3	5	2	7	6	9	9	5
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	1	1	0	0	0	1	0	0	0
Total Retirements	4	7	4	5	2	7	7	9	9	5
Total Retirees, Beneficiaries and Survivors	165	167	166	169	167	165	168	173	182	160
Total Active Members	365	376	396	410	438	491	506	549	603	577
Pension Payments										
Superannuation	\$854,494	\$899,675	\$930,319	\$954,603	\$996,962	\$1,080,252	\$1,171,686	\$1,269,968	\$1,427,916	\$1,492,154
Survivor/Beneficiary Payments	90,949	88,566	83,872	81,194	76,909	71,524	70,036	64,737	62,170	55,069
Ordinary Disability	10,568	10,568	10,703	10,838	10,883	11,108	11,108	11,184	6,146	-
Accidental Disability	263,596	271,869	278,999	288,366	293,616	278,389	256,025	257,766	250,480	240,346
Other	<u>90,403</u>	<u>92,710</u>	<u>90,495</u>	<u>88,789</u>	<u>89,226</u>	<u>101,193</u>	<u>100,998</u>	<u>99,763</u>	<u>114,569</u>	<u>122,943</u>
Total Payments for Year	<u>\$1,310,010</u>	<u>\$1,363,388</u>	<u>\$1,394,388</u>	<u>\$1,423,790</u>	<u>\$1,467,596</u>	<u>\$1,542,466</u>	<u>\$1,609,852</u>	<u>\$1,703,417</u>	<u>\$1,861,282</u>	<u>\$1,910,512</u>